



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

August 28, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF COMMERCE REQUEST  
FOR SUBORDINATION OF PASS-THROUGH PAYMENTS TO COUNTY TAXING ENTITIES  
ON REDEVELOPMENT PROJECT AREA NO. 1  
(FIRST DISTRICT) (3 VOTES)**

**JOINT RECOMMENDATION OF THE CHIEF EXECUTIVE OFFICER, THE FIRE CHIEF, AND  
THE DIRECTOR OF PUBLIC WORKS THAT YOUR BOARD:**

Approve a Resolution subordinating the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive pass-through payments from the Community Development Commission of the City of Commerce ("Commission") Redevelopment Project Area No. 1 ("Project No. 1") to the Commission's 2007 tax allocation bonds (the "2007 Bonds").

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Project No. 1 was adopted on July 15, 1974. On December 2, 2003, the Commission amended the Redevelopment Plan as Ordinance No. 571. The Commission is preparing to issue the 2007 Bonds for the purpose of financing a portion of redevelopment activities. The subordination is required by law based on a timely agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The County received the subordination request from the Commission on July 23, 2007.

**Implementation of Strategic Plan Goals**

This action supports Goal 4, Fiscal Responsibility, of the County Strategic Plan to strengthen the County's fiscal capacity.

**FISCAL IMPACT/FINANCING**

Health and Safety Code Section 33607.5(e) provides that pass-through payments to taxing entities may be subordinated to a redevelopment agency's payments for debt service.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the agency will not be able to pay both the debt service payments and the pass-through payments to the affected taxing entities. The Commission's tax increment projections, reviewed by this Office, indicate that there will be sufficient coverage to satisfy the debt service on the 2007 Bonds, and the required pass-through payments to the taxing entities.

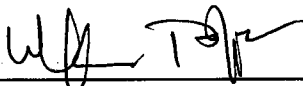
#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the agency's request (in this case, September 7, 2007) constitutes County approval of the agency's request to subordinate to the bonds. County Counsel indicates that approving subordination to the bonds by express resolution is preferable to failing to take action within 45 days.


#### **CONCLUSION**

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Executive Office, Office of Unincorporated Area Services, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,

  
\_\_\_\_\_  
WILLIAM T. FUJIOKA  
Chief Executive Officer

Respectfully submitted,

  
\_\_\_\_\_  
P. MICHAEL FREEMAN  
Fire Chief

Respectfully submitted,

  
\_\_\_\_\_  
DONALD L. WOLFE  
Director of Public Works

WTF:LS  
DS:RM:ib

Attachment

c: Auditor-Controller  
County Counsel  
Treasurer, Community Development Commission, City of Commerce

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO  
RECEIVE PASS-THROUGH PAYMENTS TO THE COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF COMMERCE REDEVELOPMENT PROJECT AREA  
NO. 1**

**WHEREAS**, the City Council of the City of Commerce on December 2, 2003 adopted Ordinance No. 571 amending the Redevelopment Plan for the Redevelopment Project Area No. 1 (the "Project No. 1"); and

**WHEREAS**, the County of Los Angeles ("County") received a letter on July 23, 2007 from the Community Development Commission of the City of Commerce (the "Commission") advising its intention to issue tax allocation bonds (the "2007 Bonds") payable from and secured by a pledge of certain Project No. 1 tax increment revenues, and requested of the County, the Los Angeles County Flood Control District ("Flood"), and the Consolidated Fire Protection District of Los Angeles County ("Fire") (collectively "Taxing Entities") that any and all payments which the Taxing Entities are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from Project No. 1 be subordinated to the Commission's payments of principal and interest on the 2007 Bonds; and

**WHEREAS**, the requested subordination does not lessen or eliminate the Commission's obligation to make the required payments to the taxing entities under Section 33607.5 and is intended to permit the Commission to obtain a higher credit rating on its bonds and thus lower the Commission's financing costs; and

**WHEREAS**, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it, prior to the agency incurring any bonded indebtedness, and the agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

**WHEREAS**, the Commission has presented evidence demonstrating its ability to make the required payments to the Taxing Entities after payment of debt service on the 2007 Bonds.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Supervisors of the County of Los Angeles that:

The County, Fire and Flood hereby agree that so long as the 2007 Bonds remain outstanding, any and all payments which the Taxing Entities are entitled to receive from

Subordinate the County's Right to Receive  
Pass-Through Payments to the Community  
Development Commission of the City of  
Commerce Redevelopment Project No. 1  
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Project No. 1 pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from Project No. 1 to pay the principal of and interest on the 2007 Bonds.

The foregoing resolution was on the 28<sup>TH</sup> day of August 2007, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.



SACHI A. HAMAI, Executive Officer-Clerk of  
the Board of Supervisors of the County of  
Los Angeles

By

Deputy

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.  
County Counsel

By

Brandi M. Moore  
Deputy County Counsel